

Equivalised Net Household Income Decile by household composition

We have created a field called Finc_decile_by_members_of_hh that seeks to address the issue of disclosure surrounding household incomes by banding the incomes by decile. It also addresses the issue of standard of living according to household composition by using the OECD-modified equivalence scale as applied by household composition.

The method was to take the ages of each member of the household and to assign a weight to each member. We adopted the weighting system used by the Office for National Statistics when creating their equivalised incomes for the Family Spending Survey report¹. We summed the values assigned to each family member for a given household, then divided the net household income by this equivalence value. Finally we assigned all households into deciles by this value.

Household member	Equivalence value
First Adult	1.0
Additional Adult	0.5
Child aged 14 and over	0.5
Child aged 0 to 13	0.3

Example: for a household composed of two adults, first child aged 17, second child aged 15, third child aged 12.

Equivalence values are 1, 0.5, 0.5, 0.5 and 0.3, giving total equivalence value of 2.8.

With a net household income of £300.00 per week this gives an equivalised income of £107.14 that can be used to assign the household to a decile based on all the values for the households surveyed in a specific year.

Note: the decile boundaries and household incomes are not necessarily representative of national average incomes for each year of the survey. Each survey is a sample of approximately 7,000 households in any given year, and these decile boundaries are drawn from the net household incomes recorded in the survey sample, not from national average incomes.

¹ <http://www.ons.gov.uk/ons/rel/family-spending/family-spending/family-spending-2012-edition/art-chapter-3--equivalised-income.html#tab-Equivalisation-methodology>